

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: : Chapter 11 Case No.
 :
LEHMAN BROTHERS HOLDINGS INC., *et al.*, : 08-13555 (JMP)
 :
Debtors. : (Jointly Administered)
 :

**FEE COMMITTEE REPORT REGARDING FEE COMMITTEE PROCESSES
AND EFFORTS TO RESOLVE OUTSTANDING ISSUES RELATED TO
THE THIRD INTERIM FEE APPLICATIONS OF RETAINED PROFESSIONALS**

Pursuant to the Court's request that the Fee Committee and the Retained Professionals meet to attempt to resolve outstanding issues in regard to the Fee Committee's Report Pertaining to the Third Interim Fee Applications and to Fee Committee procedures generally, the Fee Committee and various Retained Professionals met in New York on March 31, 2010 and had multiple communications thereafter. The Fee Committee and the Retained Professionals agree as follows:

I. Objections to the Fee Committee's Recommended Deductions for the Third Interim Fee Applications.

The Fee Committee recommends a total final deduction of fees and expenses for the Third Interim Fee Applications in the amount of: \$2,200,073.19.¹ After the Fee Committee's meeting with the Retained Professionals and subsequent efforts to resolve any dispute between the Fee Committee and the Retained Professionals, there are no objections to be resolved by the

¹ The final deduction recommended by the Fee Committee in this Report differs from the amount previously submitted to the Court on March 10, 2010 due to the following: (1) Reilly Pozner did not participate in the reconciliation process due to an inadvertent deletion of the Committee's Report. The Fee Committee accordingly reviewed Reilly Pozner's explanations regarding the Committee's recommended deductions and agreed to reduce the deductions by \$46,399.25; (2) Jones Day submitted supplementary information curing \$11,542.04 of outstanding duplicating charges; (3) Weil, Gotshal & Manges LLP agreed to the deduction of the difference between business class air tickets and coach class air tickets and to provide explanations of computerized research sessions above \$1,000. The Fee Committee accordingly reduced the deductions by \$107,124.62

Court at this time. Attached hereto is a spreadsheet summarizing the Fee Committee's Recommendations (Exhibit A). The Retained Professionals reserve their rights to object at the time of the Final Fee Application Hearing, to the deductions contained in the attached Exhibit A. In response to a request from the Retained Professionals, the Fee Committee has circulated to the Retained Professionals a statement of what constitutes "administrative" work and examples of time and expense entries that the Fee Committee considers inadequately described. The Fee Committee has sent such examples to the Retained Professionals (Exhibit B).

II. Fee Committee Process

a. Proposed Timeline:

Pursuant to the Court's suggestion, a timeline for the consideration of Interim Fee Applications was agreed upon by the Fee Committee and the Retained Professionals (Exhibit C). The Timeline provides adequate time for the Fee Committee to prepare its Recommendations Pertaining to the Interim Fee Applications and also provides the Retained Professionals adequate time to object to the Recommendations prior to the Court's hearing regarding the Applications.

b. Deductions in Fourth Interim Applications and Thereafter for Repeated Disregard of Fee Guidelines:

As a result of consistent and repeated failures by the respective Retained Professionals to comply with the Fee Guidelines, the Fee Committee has unanimously determined that the Committee will recommend automatic deductions in the Fourth Interim Applications, and thereafter, for repeated failure to comply with the Fee Guidelines. For the Fourth Interim Fee Applications, the Committee will recommend a deduction of 50 percent of the fees/expenses that the Retained Professionals submit with inadequate descriptive information. For the Fifth Interim Fee Applications and thereafter, the Committee will recommend a deduction of 100 percent in such cases. The Retained Professionals reserve their rights to object to these automatic deductions at the time of the Final Fee Application Hearing.

The Retained Professionals request that they receive notice regarding these recommended deductions in the Fourth Interim Application for repeated disregard of the Fee Guidelines. The Committee agrees that it will note in its confidential written report to each of the Retained Professionals those fees/expenses that the Committee concludes represent repeated violations by the Retained Professional of the Fee Guidelines.

III. Conclusion

This Report is accepted in its entirety by all Retained Professionals, subject to the reservation of their rights to object, at the time of the Final Fee Application Hearing, to the deductions contained in the attached Exhibit A, as well as the automatic deductions set forth above in Part II, section b.

A unanimous Fee Committee hereby requests Court approval of this Report in its entirety without objection.

Dated: April 9, 2010

Respectfully Submitted,

/s/ Kenneth R. Feinberg
Kenneth R. Feinberg
Chairman, Fee Committee

/s/ John K. Suckow
John K. Suckow
President, Lehman Brothers Holdings, Inc.

/s/ Noel Purcell
Noel Purcell
Representative, Official Committee of the
Unsecured Creditors

/s/ Andrew D. Velez-Rivera
Andrew D. Velez-Rivera
The Office of the United States Trustee

Retained Professionals	Final Deductions	Disputes to be resolved by the Court at this time. ¹
<u>Bingham McCutchen LLP</u>	\$81,492.80	\$0.00
<u>Bortstein Legal, LLC</u>	\$795.00	\$0.00
<u>Curtis, Mallet-Prevost, Colt & Mosle LLP</u>	\$149,005.65	\$0.00
<u>Duff & Phelps</u>	\$453,959.23	\$0.00
<u>Ernst & Young LLP</u>	\$8,704.57	\$0.00
<u>FTI Consulting, Inc.</u>	\$11,024.14	\$0.00
<u>Houlihan Lokey Howard & Zurkin Capital Inc.</u>	\$21,861.65	\$0.00
<u>Huron Consulting Group, Inc.</u>	\$126,320.01	\$0.00
<u>Jenner & Block LLP</u>	\$226,467.85	\$0.00
<u>Jones Day LLP</u>	\$281,585.93	\$0.00
<u>Lazard & Frères</u>	\$430.82	\$0.00
<u>McKenna Long & Aldridge LLP</u>	\$50,903.27	\$0.00
<u>Milbank Tweed Hadley & McCloy LLP</u>	\$292,555.40	\$0.00
<u>Pachulski Stang Ziehl & Jones LLP</u>	\$3,316.11	\$0.00
<u>Quinn Emanuel Urquhart Oliver & Hedges LLP</u>	\$76,875.07	\$0.00
<u>Reilly Pozner LLP</u>	\$30,853.65	\$0.00
<u>Simpson Thacher & Bartlett LLP</u>	\$16,591.03	\$0.00
<u>Weil, Gotshal & Manges LLP</u>	\$348,767.65	\$0.00
<u>Windels Marx Lane & Mittendorf LLP</u>	\$18,563.36	\$0.00
Totals	\$2,200,073.19	\$0.00

¹ The Retained Professionals reserve their rights to object to the deductions contained in this Exhibit A, and to the automatic deductions described above in Part II, section b, at the time of the Final Fee Application Hearing.

Examples of Fees Billed and Deducted by the Fee Committee as
Administrative and Non-compensable:

- Printing documents
- Scanning documents
- Organizing/preparing binders
- Calls with administrative staff/calls regarding administrative issues.
- Scheduling meetings
- Collating documents
- Assembling/organizing files
- Organize/archive email
- Training interns
- Updating calendars
- Organizing files/setting up folders on shared network drives
- Reviewing timesheets – contract attorneys
- Planning for team member changes
- Discussing contract attorney sign in sheets
- Collecting time sheets from contract attorneys
- Contacting staffing agencies
- Preparing/updating binders
- Reviewing attorney hours and staffing requirements
- Quality checking binders
- Creating contact lists
- Updating contact lists/document service lists
- Copying/Duplicating documents
- Arranging documents to be sent out
- Updating deposition schedules
- Updating production logs
- Coordinating additional assistance/staffing needs
- Coordinating the distribution of documents
- Preparing documents for courier/fedex
- Distributing documents
- Assembling electronic files
- Copying electronic files
- Burning electronic files to DVD/CD
- Attending team administrative meetings
- Preparing binder indices
- Formatting documents
- Uploading/retrieving electronic files to/from shared network databases
- Bates-stamping documents
- Delivering documents
- Chronologically organizing documents

EXHIBIT B

Administrative**First Interim Fee Application**

4.	1.1	Research regarding payment of administrative expenses.	Administrative
1.	6.1	Prepared for contract attorney orientation	Administrative

Second Interim Fee Application

28.	3/9/09	4.3	Logging, recording and filing of incoming documents	Administrative
1.	3/17/09	2	Printing e-mails for file. Transposing voicemails from yesterday to include in file.	Administrative
2.	3/31/09	0.2	Mailing tax return file to US. Updating current file for new final return sent to client.	Administrative
1.	5/1/09	2.5	Attention to administrative issues.	Administrative
2.	5/19/09	0.7	Various administrative matter related tasks.	Administrative

Third Interim Fee Application

5.	6/18/09	0.3	Update productivity reports of attorneys reviewing Lehman documents identifying privilege and relevance tagging (.30)	Administrative
12.	6/4/09	1.2	attended several calls with administrative staff re: the same (0.6).	Administrative
30.	6/29/09	1.9	Conducted administrative activities including scheduling meetings and collating material provided by team members.	Administrative
59.	7/9/09	4.8	Assemble files and file into filing cabinets.	Administrative
7.	6/1/09	9.5	Retrieve And Organize Documents From Internal And External Databases	Administrative

EXHIBIT B

25.	8/25/09	5	Scanned and emailed title documents to Ms. XXXXXXX	Administrative
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Insufficient Detail**First Interim Fee Application**

15.	0.90		Contract Review/Summary	Insufficient Detail of Services Provided
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Second Interim Fee Application

249.	5/29/09	10.1	Revise protest	Insufficient Detail of Services Provided
97.	2/13/09	7.5	Develop workplan	Insufficient Detail of Services Provided
7.	4/5/09	9	Drafting supplemental submission.	Insufficient Detail of Services Provided
71.	3/4/09	1	Review project status and next steps.	Insufficient Detail of Services Provided
84.	3/3/09	7.3	CONTINUE RESEARCHING MATTERS RELATED TO DOCUMENT PRODUCTION.	Insufficient Detail of Services Provided
13.	2/18/09	0.3	Review Court filings.	Insufficient Detail of Services Provided
64.	5/1/09	15	Prepare for closing.	Insufficient Detail of Services Provided

EXHIBIT B

Third Interim Fee Application

62.	7/7/09	0.2	Discuss Lehman files with XXXXXXXX	Insufficient Detail of Services Provided
55.	6/17/09	0.8	Discuss document review with XXXXXXXX	Insufficient Detail of Services Provided
76.	9/30/09	0.1	Reviewed and responded to emails.	Insufficient Detail of Services Provided
87.	6/25/09	1.3	Updated tracking spreadsheet.	Insufficient Detail of Services Provided
18.	6/2/09	0.4	Prepare draft April Exhibit C.	Insufficient Detail of Services Provided
21.	6/24/09	0.6	Update workplan.	Insufficient Detail of Services Provided
88.	6/10/09	3.7	Agenda for team meeting`	Insufficient Detail of Services Provided
104.	6/17/09	2	Review prior year process	Insufficient Detail of Services Provided
643.	7/2/2009	9.00	Review conflicts	Insufficient Detail of Services Provided
53.	7/29/09	1.1	Telephone conference with Mr.XXXXXX and Ms.XXXXXX.	Insufficient Detail of Services Provided

In re Lehman Brothers Holdings Inc., et al. (Case No. 08-13555)
Proposed Revised Procedures Regarding Fee Disputes

Procedures	Proposed Deadlines
Deadline to file interim or final fee application pursuant to the Interim Compensation Order (the “ <u>Fee Application</u> ”). ¹	Day 0
Fee Application objection deadline for all parties in interest except Fee Committee.	Day 30
Deadline for Fee Committee to distribute to Retained Professional a confidential written report as to any comments or objections made by the Fee Committee to a particular Fee Application (the “ <u>Individual Summary Report</u> ”).	Day 60 Written report will include notice of any entry subject to 50%/100% deduction of fees and expenses
Deadline for Retained Professional to respond in writing to Individual Summary Report (“ <u>Retained Professional Response</u> ”). Day 75 completes all dialogue and other communication between the Fee Committee and the Retained Professionals regarding the Retained Professionals’ questions/comments/responses.	Day 75
Deadline for Fee Committee to submit to each Retained Professional a Draft of the Fee Committee’s Final Report to the Court regarding the Recommended Deductions as to that Retained Professional. The Draft will be considered final barring omissions or mistakes by the Fee Committee.	Day 90
In the event that the Fee Committee and the Retained Professional cannot reach a resolution with respect to any issue(s) raised in the Fee Committee’s Final Recommended Deductions, deadline for Fee Committee to file with the Court and serve (through the claims agent appointed in the Chapter 11 Cases) upon the relevant Retained Professional, the Debtors, the United States Trustee, and Committee (the “ <u>Interested Parties</u> ”) a report outlining the Fee Dispute, the recommended deductions, and reasonable basis for such deductions (the “ <u>Fee Committee Report</u> ”). Fee Committee to provide copies of the Individual Summary Report,	Day 95

¹ Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed thereto in the Order Appointing Fee Committee and Approving Fee Protocol, dated May 26, 2009 [Docket No. 3651].

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EXHIBIT C

Retained Professional Response, and Fee Committee Reply under letter submission to Chambers, and such documents shall not be filed on the docket or otherwise disseminated.	
Deadline for Retained Professional to file with the Court and serve on the Interested Parties a reply to the Fee Committee Report.	Day 100
Fee hearing.	Fee hearing scheduled by court.